

Joint Conference
University of Economics-Ho Chi Minh City
and Universitas Indonesia



The 7th International Conference on Business
and Management Research

PROCEEDINGS

***"Transforming Local
and Regional Networks into
Sustainable Growth"***

16th November 2012

University of Economics-Ho Chi Minh City, Vietnam

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FACULTY OF ECONOMICS & BUSINESS - UNIVERSITAS INDONESIA

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MANAGEMENT PERCEPTION TOWARD TOTAL QUALITY MANAGEMENT AND THE IMPACT OF IT'S IMPLEMENTATION ON ORGANIZATIONAL PERFORMANCE: SURVEY THROUGHTOUT SME'S IN YOGYAKARTA REGION, INDONESIA

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ABSTRACT

In the competitive, global and turbulent business environment, quality is the only key to survive. Quality is a critical success factor for achieving competitive advantage in today's market. Total Quality Management (TQM) is a concept to respond to the situation. The purposes of this study are to determine the manager's perception of Small Medium Enterprises (SME's) on TQM and to measure their effect of its implementation on organizational performance.

By using questionnaire, data were collected from 96 SME's throughout Yogyakarta Special Region Province, Indonesia. The samples were selected by convenience random sampling. All selected companies have implemented Total Quality Management, although vary in the length of implementation, but all surveyed SME's have implemented TQM more than 1 year. The research revealed that Total Quality Management was perceived as Product Quality Improvement Program (46.15%), and Product Cost Reduction Program (22.49%). Managers of the surveyed companies got information on TQM from the successful TQM Companies (58.33%). It proved that lesson learned from others companies was an important factor to motivate others in implementing a certain program.

The research also indicated that SME's managers were fully aware that TQM was a method for improving quality of product and had become the critical factor in improving organizational performance. The reasons of implementing TQM were more influenced by external factors rather than internal. According to the research, there two main reasons of implementing TQM in SME's, the first was to satisfied customers and the second was to increase the SME's competitiveness in a global market.

The last finding was related to organizational performance. The study result indicated that TQM gives some positive impacts on SME's performances. The major impact of implementing TQM on organizational performance were (1) reducing the number of defective products (79.17%), (2) Decreasing the number of customer's complaints (73.96%), (3) improving the efficiency of production processes (69.79%), and (4) Reducing the sales returns (67.71%). Although there were several good impacts of TQM implementation, but the impact themselves have not yet improve the organizational performance significantly.

Keywords: Total Quality Management, Quality, Organizational Performance, SME's